United Nations DP/2010/4

Executive Board of the United Nations Development Programme and of the United Nations Population Fund

Distr.: General
24 December 2009

Original: English

First regular session 2010
19 to 22 January 2010, New York
Items 2 and 7 of the provisional agenda
Financial, budgetary and administrative matters
UNIFEM

UNDP and UNIFEM estimates for the biennial support budget, 20108-2011

Report of the Advisory Committee on Administrative and Budgetary Questions

Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the reports on the budget estimates for the biennium 2010-2011 for UNDP (DP/2010/3 and for the United Nations Development Fund for Women (UNIFEM) (DP/2010/7). During its consideration of the reports, the Committee met with the Administrator of UNDP, the Executive Director of UNIFEM, and other representatives, who provided additional information and clarification.

I. UNDP budget estimates for the biennium 2010-2011

A. Format and presentation

2. The Advisory Committee recalls that the results-based format was introduced during the biennial support budget for 2008-2009, based on a harmonized approach with UNFPA and the United Nations Children's Fund (UNICEF) along 19 management functions, of which 16 are common to the three entities while three are specific to UNDP. Information on the results-based framework is contained in chapter III, section D, of the budget document (DP/2010/3).

3. The Committee notes that UNDP biennial support budget resources are allocated based on the functions reflecting the strategic and operational results to be achieved. The activities and resources planned for 2010-2011, by function, are presented in chapter III, section E, of the document. Summary table 6 of the budget contains information on organizational units by function.

09-66682 (E) 140110

4. UNDP indicates that results-based budgeting within the UNDP results-based management system is a continuous learning and improvement process and that key lessons learned to date have been incorporated into the results framework for the biennial support budget 2010-2011 (ibid., paragraph 147). **The Committee welcomes the progress made so far in presenting UNDP budget in a results-based format. It notes in particular the approach that identifies the specific entities that are involved in partnership with UNDP in implementing relevant functions, and how their activities are coordinated to realize efficiencies and avoid duplication; the link between the indicators of achievement to the legislative instruments and internal guidances, such as the scorecards; and the attribution of responsibilities and accountability between headquarters, country and regional offices. The Committee encourages UNDP to continue its collaboration with UNFPA and UNICEF, and to further develop and harmonize the elements of the results-based framework, based on common terminology and standards. Information on further progress in this area should be provided in future biennial support budget submissions.**

5. The Advisory Committee notes that, as recommended by the Committee in paragraph 9 of its report on the biennial support budget for 2008-2009 (DP/2008/5), UNDP has included information on major objects of expenditure under post and non-post costs in a new table (summary table 3) in the budget document. **The Advisory Committee welcomes this addition in the presentation of the budget**.

6. The resource plan, presented in table 1 of the budget document, provides estimates of the resources available to UNDP and the planned use of those resources during the current biennium and in 2010-2011. **The Advisory Committee believes that it is important to review past performance when considering the budget proposals for the upcoming biennium, and it recommends that information on the actual utilization during the previous biennium be provided in the budget document, in a format similar to that of the resource plan. Further, the Committee recommends that the resource plan display more clearly the biennial support requirements. Neither the amount of $828.3 million from regular resources nor the amount of $558.8 million from other resources is readily evident in the resource plan (see also para. 7 below).**

7. The Advisory Committee notes that table 4 of the budget document provides budget estimates for regular resources ($828.3 million), while summary table 4 provides budget estimates for other resources ($558.8 million). **The Committee believes that, additionally, in future budget submissions, a consolidated presentation of biennial support requirements, irrespective of sources of funding, would be beneficial**.

B. Cost classification

8. The Executive Board decision 2009/22 recommended that, in order to improve transparency, accountability and reporting on results, UNDP should adopt four broad classifications of activities: (a) development; (b) management; (c) United Nations development coordination; and (d) special purpose (ibid., paragraph 9). Definitions and information in this regard, including the relevant reviews carried out by UNDP and incorporated in the formulation of the proposed support budget for 2010-2011, are summarized in paragraphs 26-36 of the document.

9. Upon enquiry, the Advisory Committee was informed that internal and external cost classification reviews had been undertaken by UNDP, covering the country offices, central programme units, benchmarking with bilateral agencies, and the harmonization process with UNFPA and UNICEF.

10. UNDP indicates that the full implementation of decision 2009/22 will be gradual and span the 2010-2011 and 2012-2013 biennial support budgets (ibid., paragraph 11). UNDP believes that this should ensure further harmonization with UNICEF and UNFPA in the attribution of costs between programme and support budgets, and in determining a common method for the treatment of similar cost items across and within respective budgets and funding frameworks. A single and integrated budget for each organization is envisaged by 2014 (see also paragraph 40, below).

C. Financial framework

11. The UNDP resource plan, presented in table 1, reflects the projections for the total contributions, allocations and the balances for 2010-2011, including the following (ibid., paragraph 22):

(a) $13.6 billion in estimated total resources available, comprising an opening balance of $3.9 billion, contributions of $9.5 billion (see paragraph 12, below), and other income of $0.2 billion;

(b) $11.6 billion in planned use of resources (see paragraph 13 below); and

(c) A resource balance of approximately $2 billion.

12. An overview of the actual and estimated contributions, by funding category, from 2000-2001 to 2010-2011 is provided in figure 1 in the budget document. The projected contributions from donors, and by governments, to local costs in 2010-2011 amount to $9.5 billion, which is $0.6 billion less than the projections for 2008-2009, comprising (ibid., paragraph 20):

(a) Regular donor resources of $2.3 billion, unchanged from 2008-2009;

(b) Other donor resources of $5 billion for trust funds and cost-sharing, a decrease by some $0.3 billion, or 6 per cent; and

(c) Local resources of $2.2 billion provided by host governments, a decrease by $0.3 billion, or 10 per cent.

UNDP indicates that its strategic plan 2008-2011 (extended to 2013) could be at risk if voluntary contributions fail to reach the targets established in the integrated resource plan. UNDP is, therefore, making every effort to sustain and increase donor contributions and expand the donor base (ibid., paragraph12). **The Advisory Committee encourages UNDP to intensify its fund-raising efforts.**

13. The planned use of resources of $11.6 billion for 2010-2011 is provided in figure 2, which consists (ibid., paragraph 21) of:

(a) Development activities: $10.2 billion, or 88 per cent;

(b) Management activities: $0.9 billion, or 7.5 per cent;

(c) United Nations development coordination activities: $0.3 billion, or 2.6 per cent, and

(d) Special purpose activities: $0.2 billion, or 1.9 per cent.

D. Biennial support budget for 2010-2011

14. The support budget for the biennium 2010-2011 to be funded from regular resources is estimated at $828.3 million, which represents a net increase of $49.6 million, or 5.8 per cent, over the approved appropriations of $778.7 million for 2008-2009 (paragraph 37). The Advisory Committee notes that, as an amount of $558.8 million for the support budget will be funded from other resources (see section F below), the total requirements for the biennial support budget will, therefore, be $1,387.1 million. The proposed biennial support budget of $828.3 million from regular resources is presented by main areas of increase/decrease in table 2, by function in table 4, and by expense category in summary table 3.

15. As reflected in table 2 of the budget document, the net increase of $49.6 million in the proposed regular resources portion of the biennial support budget reflects cost increases of $91.5 million, offset by net volume decreases of $41.7 million and an anticipated increase in income of $0.2 million, as detailed below:

(a) Total cost increases of $91.5 million, or 10.7 per cent, over 2008-2009, considered non-discretionary, resulting from (ibid., paragraphs 38-39):

(i) Net increase of $61.3 million from the impact of inflation on staff entitlements and operational costs;

(ii) Net increase of $20.2 million from the impact of the United Nations common system salary entitlements;

(iii) Net decrease of $1.5 million from the impact of currency adjustments;

(iv) Net increase of $10.2 million due to increased rental costs; and

(v) Net increase of $1.3 million from the impact of proposed post reclassifications and the implementation of the United Nations contractual reform (see also paragraphs 19-20 below).

(b) The net volume decrease of $41.7 million is the result of (ibid., paragraphs 41-63):

(i) the volume decreases of $69.7 million in shifts to extrabudgetary funding ($35.7 million), increased efficiency ($18.8 million), and freezing of established posts ($15.2 million), which, according to UNDP, aims to contain costs, achieve greater efficiency and improve burden-sharing of management costs between regular and other resources, in response to the concerns expressed by the Executive Board.

(ii) the volume increases of $28 million to cover strategic investments in five areas, namely, crisis prevention and recovery ($9.3 million), climate change ($5.6 million), Africa ($5.7 million), South-South cooperation ($0.9 million) and knowledge management ($6.5 million). A total of 72 new positions are proposed, of which 56 positions would be at the country and regional levels (21 international professional and 35 local positions), and 16 at the headquarters level (10 international professional and 6 local positions) (see also paragraphs 17-19 below);

(c) A total estimated income to the biennial support budget for 2010-2011 of $75.1 million (an increase of $0.2 million over 2008-2009),

consisting of government contributions towards local office costs, income relating to the United Nations Volunteers programme and the offset amount for tax reimbursements.

16. With respect to the planned efficiency gains of $18.8 million as indicated in paragraph 43 and explained in paragraphs 44 and 45 of the budget document, upon enquiry, the Advisory Committee was informed that the efficiency gains would be achieved through lower information and communication technology costs ($5 million), lower travel costs ($3.4 million), reductions in consultancy and temporary assistance costs ($5 million), streamlined organizational learning costs ($0.3 million), lower reimbursement costs to the United Nations ($0.5 million) and reductions in staff costs related to increased efficiency, reprioritization of activities and the elimination of non-essential activities ($4.6 million). **The Advisory Committee welcomes UNDP's effort to contain costs, especially through achieving efficiency gains. However, the Committee is of the view that care should be taken to appropriately identify efficiency gains as opposed to savings. For example, lower reimbursement costs to the United Nations may not typically be considered an efficiency gain. The Committee considers that the actual volume reductions for 2010-2011 are lower than presented. While the transfer of the funding of activities from regular to extrabudgetary resources may be important for an appropriate apportionment of the support budget, it does not in itself represent a volume decrease.**

17. UNDP proposes that, for the biennium 2010-2011, a total of 3,217 posts be funded from regular resources, representing a net decrease of 117 posts, or 4 per cent, from the 3,334 posts for 2008-2009 (ibid., paragraph74). Some 84 per cent of the total posts for 2010-2011 are at the country office and regional level. Summaries of posts, by location, under regular resources (3,217 posts) and under all resources (5,460 posts) are provided in table 5 and summary table 5.

18. The Advisory Committee notes that the proposed net decrease of 117 posts reflects a net increase of 19 international professional posts, offset by a decrease of 136 national officer and general service posts. The proposed reduction in staff costs of $33.6 million, attributed to 222 posts, is described in paragraph 45 of the budget. UNDP indicates that the proposed post changes for 2010-2011 are mainly attributable to: (a) the proposed volume reductions; (b) the proposed new strategic investments; (c) the introduction of the development cost classification; and (d) human resources contractual reform (ibid., paragraph 76).

19. Upon enquiry, the Committee was provided with the following table on the proposed changes in international professional posts funded from regular resources:

Table 1

Proposed changes in international professional posts funded from regular resources

Posts shifted to extrabudgetary resources	(9)	(11)	(20)	Paragraph 45 (a)
Posts abolished			(1)	Paragraph 45 (b)

Established posts frozen	(4)	(7)	(11)	Paragraph 45 (c)
Subtotal (reduction) in international professional posts	(14)	(18)	(32)	Paragraph 45
Introduction of human resources contractual reform	3	17	20	Paragraph 77
Proposed new investments	21	10	31	Paragraph 46
Subtotal increase in international professional posts	24	27	51	
Total net increases	10	9	19	Paragraph 74

The Committee notes in the table above that, out of the proposed establishment of 51 posts, 20 relate to the introduction of the United Nations human resources contractual reform (General Assembly resolution 63/250), while 31 are for the proposed investment in the five strategic areas (see also paragraph15 (b) (ii) above). UNDP indicates that, with the introduction of the new contractual reform, appointments of a limited duration funded as general operating expenses from the biennial support budget must be converted into regular posts or abolished altogether. Consequently, 33 new fixed-term appointment posts are proposed (20 international and 13 national professional posts) (ibid., paragraphs 77, 100 and 101).

20. UNDP also indicates that, in an effort to contain costs, and in consideration of previous guidance from the Executive Board and the Advisory Committee, UNDP proposes to limit the net change in senior level posts funded from regular resources for 2010-2011 to nil (ibid., paragraph 79). The proposed changes in posts at the D1 and D2 levels are contained in table 2 and explained in paragraphs 80-81 of the budget document, including the following:

(a) Two upward reclassifications from D1 to D2 (Chief, Security Office/Bureau of Management; and Resident Coordinator, Zimbabwe), offset by a downward reclassification from D2 to D1 (Resident Coordinator, Turkey) and a shift of one D2 post to extrabudgetary funding;

(b) Three new posts are proposed at D1 level for practice leaders in areas of conflict prevention and recovery, risk reduction and recovery, and early recovery, offset by the upward re-classification from D1 to D2 (Resident Coordinator, Zimbabwe), one downward classification from D1 to P5 (Advisor/Partnerships Bureau), and the abolishment of a D1 post (Resident Coordinator, Bulgaria).

21. **Whilst the Advisory Committee has no objection to the proposed staffing changes for 2010-2011, it would have expected additional information on any review undertaken prior to the proposed changes. The Committee believes that, parallel to recommending capacity for emerging needs, efforts should also be made to identify lower priority needs from which resources could be redeployed.**

22. According to UNDP, the present demographic makeup of the organization indicates a high retirement rate over the next several years (ibid., paragraph 7). Upon enquiry, the Committee received the information in a table, reproduced below, on the anticipated number of retirements by the end of the 2010-2011 biennium, especially at the senior levels. UNDP indicates that it will pay special attention to talent management, including succession planning and career development, and seeks to enhance its ability to attract, retain and develop talent through proactive workforce planning and management (ibid., paragraph 7). **The Committee supports these proactive initiatives and encourages UNDP to intensify their implementation.**

Table 2
Anticipated retirement at D1 and D2 levels

Grade (a)	Total number of staff as of October 2009 (b)	Projected number of retirees by the end of 2010-2011 (c)	Projected number of retirees as a percentage of total staff as of October 2009 (d) = (c)/(b)
D2	70	17	24%
D1	177	17	10%
Total	247	34	14%

23. The Advisory Committee enquired on the concern that some United Nations system organizations with dual reporting lines have a tendency to develop staff entitlements inconsistent with the common system approach. The Committee requested, but did not receive a sample of the cost structure of UNDP staff at non-family duty stations, in comparison to other common system organizations. In response, UNDP informed the Committee that discussions with respect to entitlements for non-family duty stations were ongoing between UNDP, the United Nations and the other Funds and Programmes, in recognition of the need to re-evaluate the package of entitlements to ensure common system harmonization and in view of continued security-related events. UNDP indicated that a revised package for the United Nations system was envisaged, taking into account that the mandates of field-based organizations were distinct from peacekeeping operations. It was also indicated to the Committee that until any new measures were promulgated, UNDP planned to ensure that the current entitlements package sufficiently compensated staff for dual household expenses when they were assigned to designated non-family duty stations.

24. **The Committee is of the view that, in light of common system implications, any new arrangement in this area will need to be reviewed by the International Civil Service Commission and the General Assembly, prior to being promulgated by the Administrator. The Committee recommends that the Executive Board may wish to seek further clarification on this matter**.

E. Proposed requirements for security costs, IPSAS and capital investments

25. UNDP's security costs category was introduced in the 2006-2007 budget to cover security-related activities in response to General Assembly resolution 59/276 and other United Nations policy directives (ibid. paragraph 85). For the biennium 2008-2009 and 2010-2011, those costs relate to the United Nations field security coordination programme and country office and headquarters investments in achieving compliance with the minimum operating security standards. It is estimated that $85 million is required for 2010-2011 and the breakdown of the requirements is contained in paragraph 88 of the budget document. Of the total requirement of $85 million, $58 million would be covered by regular resources, $25 million by other resources and $2 million by applying an expected credit from the Department of Safety and Security from 2008-2009.

26. For 2008-2009, the Administrator exceptionally requested and was granted authority by the Executive Board to access up to an additional 20 per cent of the proposed $51.2 million from regular resources for security costs, amounting to $10.2 million, for unforeseen funding requirements. It is reported in the budget document that no such funds were spent (ibid., paragraph 87). For the biennium 2010-2011, in the event of unforeseen funding requirements, especially in the wake of the recent attacks in Kabul, the Administrator exceptionally requests approval, similar to that granted for 2008-2009, to expend up to an additional 30 per cent of the proposed $58 million from regular resources, amounting to $17.4 million. UNDP indicates that the use of the additional funds would be limited to new and emerging security mandates as defined in Department of Safety and Security directives and would be reported to the Executive Board in the annual review of the financial situation (ibid., paragraph 90).

27. The Advisory Committee notes from the budget that the implementation of the International Public Sector Accounting Standards (IPSAS) by UNDP will be deferred from January 2010 to January 2012, primarily due to the competing demands placed on UNDP by the need to implement General Assembly resolution 63/250 on human resources management in the United Nations system (ibid., paragraphs 94 and 95). In this connection, the Committee notes that the implementation of resolution 63/250 is under consideration by the General Assembly and the Executive Board may wish to take note of the forthcoming decisions of the General Assembly. The Committee also notes that UNDP proposes a phased approach to IPSAS implementation, with 6 of the 22 applicable standards implemented by January 2011 and the remaining 16 by 2012.

28. In this connection, the Committee was informed of a letter dated 16 November 2009 from the Board of Auditors addressed to the United Nations Task Force on Accounting Standards with reference to phased implementation of IPSAS by the United Nations organizations. The Committee notes that, in the letter, the Board of Auditors emphasized that, while paragraph 3 of the United Nations System Accounting Standards (UNSAS) permits the phased implementation of IPSAS, the phased implementation approach poses significant challenges and therefore caution needs to be exercised. As an alternative, organizations may choose in the interim to effect enhancements to their financial reporting to the extent that UNSAS allows, without reference to any IPSAS standards in the financial statements. The Advisory Committee recommends that the opinion expressed by the Board of Auditors be taken into consideration in the review of the

UNDP implementation approach of IPSAS. The Committee intends to follow up with the Board of Auditors on the matter.

29. It is estimated that, of the $9 million appropriated for IPSAS-related activities for 2008-2009, $5.6 million will be spent, with a carryover of $3.4 million into 2010-2011. For 2010-2011, an estimated total of $13 million would be required, of which $9.5 million would be from regular resources, inclusive of the carryover of $3.4 million from 2008-2009, and $3.5 million would be covered from other resources. The breakdown of the proposed resource allocation for 2010-2011 is provided in paragraph 96 of the budget document.

30. UNDP proposes to introduce capital budgeting on a limited scale for 2010-2011 (ibid., paragraphs 105-112). According to UNDP, in recent years, a number of United Nations system organizations and bilateral assistance agencies have begun to appropriate funds for capital investments separately from management appropriations. A survey conducted in late 2008 by a special working group on capital budgeting, sponsored by the finance and budget network of the High-level Committee on Management and chaired by UNDP found that, out of the 22 responding organizations, eight had a form of capital budgeting in place and six others had access to separate funding arrangements.

31. The Committee notes that the special working group concluded that a capital budgeting review process would improve the planning for and management of capital assets, and that there was value in distinguishing transparently between capital costs and operational costs. Following a review of a number of capital investments proposals by headquarters units for 2010-2011, UNDP proposes two priority capital investments with a total amount of $5.1 million for replacing the UNDP headquarters telephone system ($4 million) and upgrading the human resources module and improving data archiving in the UNDP enterprise resource planning system ($1.1 million).

32. The above-mentioned costs related to security, IPSAS and capital investments are included in the special purpose activities, which are sub-classified into three groups by UNDP, namely, (a) General Assembly-mandated activities; (b) non-UNDP operations administered by UNDP; and (c) capital investments. Information on the special purpose activities is separately presented in chapter III, section B, of the proposed budget. **Given the continuing nature of the special purpose activities, the Advisory Committee is of the view that UNDP may wish to review the basis for presenting these activities separately in the budget. In addition, the Committee is of the view that UNDP may also wish to consider a more neutral term for General Assembly-mandated activities, as well as for the use of over-billing in reference to the difference between the budget and actual expenditure of UNDP's share of the United Nations common security costs (ibid., para. 86).**

F. Cost recovery and related issues

33. The Committee notes that, in its decision 2007/18 on the effectiveness of cost recovery, the Executive Board reiterated that regular resources should not subsidize the costs of development activities funded from other resources, and the decision approved a cost recovery rate of 7 per cent for new third-party contributions and a basic cost recovery rate of 3 per cent for new programme country contributions, with waivers granted exceptionally (ibid., paragraphs 116-117).

34. UNDP indicates that, in compliance with the decision 2007/18, the rate of 7 per cent has been applied to all new UNDP third-party cost-sharing and trust fund agreements, with the exception of 10 cases, while at least 3 per cent has been applied on all programme country cost-sharing contributions. According to UNDP, the process of increasing cost recovery income in line with the established rates is gradual, due to the attribution of lower cost recovery rates stipulated under previous policies. Assuming an average duration of four years for development projects, UNDP expects that all projects will reflect the new rates towards the end of the biennium 2010-2011 (ibid., paragraph 118). **The Committee expects a further update on this issue in the context of the budget estimates for the biennium 2012-2013 (see also para. 36 below).**

35. The cost recovery income for 2010-2011 is currently estimated at $565 million, representing an increase of $56 million, or 11 per cent, compared to $509 million for 2008-2009. The breakdown of the cost recovery estimates is provided in paragraph 120 and table 6 of the budget. For the biennial support budget 2010-2011, $828.3 million will be funded from regular resources (60 per cent) (see paragraph 14 above), while $558.8 million (40 per cent) from other resources, compared with $121.4 million (19 per cent) from other resources for 1998-1999. The relative shares of regular resources and other resources to the biennial support budgets from 1998-1999 to 2010-2011 are illustrated in figure 3 of the budget (ibid., paragraph 119).

36. **The Advisory Committee notes and welcomes the progressive growth of the share from other resources in the biennial support budget from 19 per cent for 1998-1999 to 40 per cent for 2010-2011. However, the Committee notes that regular resources still contribute to 60 per cent of the support budget, while accounting for only some 22 per cent of the total planned use of resources. The Advisory Committee believes that the formula for sharing support budget by the regular and other resources should be further examined.**

37. The calculation of the UNDP variable indirect recovery rate for bilateral and multilateral donor resources for 2010-2011 is explained in paragraphs 127-129 of the budget. Of the estimated total variable indirect costs of $586 million for 2010-2011, $166 million (28 per cent) is attributed to regular resource, while $420 million (72 per cent) is attributed to bilateral and multilateral donor resources. UNDP indicates that the indirect cost recovery rate is calculated at 7.1 per cent for 2010-2011, which is in line with the indirect cost recovery rate of 7 per cent. The indirect costs recovered with respect to bilateral and multilateral donor resources amounted to $94 million (recovery rate of 4.7 per cent) for 2007, $127 million (recovery rate of 5.3 per cent) for 2008, and an estimated amount of 155 million (recovery rate of 5.7 to 6 per cent) for 2009. UNDP indicates that further review and validation is required in the context of the joint cost recovery harmonization exercise planned for 2010-2011.

38. The background of UNDP cost recovery and related issues are introduced in paragraphs 113-115 of the budget. As requested by the Executive Board in decision 2008/1, information on the concept and methodology determining the minimum base structure, as well as a description of that structure, are provided in paragraphs 121-133 of the budget document. It is indicated that the UNDP base structure is defined as the minimum capacity that the organization needs in order to carry out its core mandate. Base structure costs are further defined as fixed indirect management costs. The base structure concept was first introduced in the

biennial support budget for UNDP country offices for 2004-2005, and for headquarters units and regional centres for 2006-2007. The Committee notes that the purpose was to ensure that, with funding from regular resources for a minimum critical mass of staff capacity, all UNDP offices in low- and middle-income programme countries could provide management and coordination services, and that UNDP headquarter units could provide executive direction and leadership, institutional oversight and accountability, compliance with statutory obligations, and effective human and financial resources management.

39. UNDP also indicates that the augmentation costs include all incremental management costs over and above base costs and these costs are also referred to as variable indirect costs. According to UNDP, since the augmentation structure costs are by definition variable and linked to the overall size of UNDP regular and other resources-funded development activities, they should therefore be proportionately funded between regular and other resources to ensure equitable burden sharing of costs, thus avoiding regular resources subsidizing management activities funded from other resources. This is the proportionality principle that, through the UNDP cost recovery policy, seeks to ensure that cost recovery rates on development activities funded from other resources are set appropriately.

40. The Advisory Committee notes from paragraph 132 of the budget document that the Executive Boards of UNDP/UNFPA and UNICEF have requested that the three organizations further harmonize cost classifications and move towards an integrated budget framework by 2014. According to UNDP, within this broader harmonization exercise, mutually dependent issues such as cost recovery, base and augmentation structures, development effectiveness, critical mass of staff capacity and proportionality will need to be addressed. All the three organizations are cooperating on an inter-agency study on cost recovery methodologies and practices under the auspices of the High-level Committee on Management. In this context, UNDP proposes to maintain the existing concept and methodology of the base and augmentation structures for 2010-2011. Future changes are expected within the context of a more harmonized and integrated approach in the biennial support budget for 2012-2013. The Advisory Committee looks forward to updates of the harmonization exercise in the context of the next biennial support budget.

II. UNIFEM budget estimates for the biennium 2010-2011

41. The Committee notes that UNIFEM is presenting its biennial support budget for consideration by the Executive Board in the results-based format (DP/2010/7). The Committee also notes that the proposed budget uses the 16 harmonized functions agreed upon by UNDP, UNFPA and UNICEF (see paragraph 2 above) in addition to one that is UNIFEM-specific (function 17: Support to the United Nations system in gender equality issues in programme countries). The basis for the biennial support budget submission is the UNIFEM strategic plan, 2008-2011, the strategic priorities and results of which were endorsed and implementation authorized by the Executive Board in its decision 2007/35 and extended until 2013 in its decision 2009/13. Chapter III, section D of the document provides a description of biennial support budget activities and resources by function.

42. The Advisory Committee is pleased that UNIFEM has significantly improved the presentation of its biennial support budget, in accordance with

the recommendations made by the Committee in its last report. The inclusion of summary table 3 showing the proposed budget estimates by expenditure category is particularly useful.

43. Upon enquiry, the Advisory Committee was informed that UNIFEM has 15 sub-regional programme offices: three in Asia and the Pacific, two in Arab States, four in Africa, four in Latin America and the Caribbean, and two in Central and Eastern Europe and the Commonwealth of Independent States. In 2008, UNIFEM was able to respond to requests from programme countries and United Nations-system and development partners for programming and technical support in 82 countries. It further notes that UNIFEM has expanded its participation in coordination activities, engaging in 72 joint programmes, and is the lead agency for 18 of those. UNIFEM also chairs the United Nations Development Group task team, and, in that capacity, has worked with 17 United Nations organizations to finalize an agreed upon set of performance indicators on gender equality for United Nations country teams.

44. The UNIFEM resources plan is shown in table 1 of the budget report (DP/2010/7). The Committee notes that income projection for 2010-2011, amounts to $300.5 million, comprising contributions of $130.0 million in regular resources, $168.0 million in other resources and $2.5 million in miscellaneous income, compared to an income level of $159.5 million for 2008-2009. Regular resources, as shown in table 1 are projected to increase by 39.8 per cent compared to 2008-2009, while other resources are projected to increase by 162 per cent.

45. The Advisory Committee notes with appreciation the efforts made by UNIFEM to increase resources, which have resulted in a remarkable increase in contributions and a doubling of donor countries from 49 to 100 between 2007 and 2009. **It is the view of the Advisory Committee that information on the successful outreach approach taken by UNIFEM could be shared with other United Nations funds and programmes. The Committee further encourages UNIFEM to sustain its efforts.**

46. The Committee further notes that, for 2010-2011, the expenditure on programmes is projected to be 83.7 per cent of the total regular resources (as compared to 83.5 per cent in 2008-2009), the biennial support budget accounting for 15.4 per cent of the total regular resources compared to 16.5 per cent in 2008-2009. In the case of 'other' resources, the expenditure for 2010-2011 is estimated to be 94 per cent on programmes, which is unchanged from 2008-2009.

47. **Noting that many 'other' resources are earmarked for specific activities and that much of the recent increase in UNIFEM resources falls into this category of resources, the Advisory Committee recommends that this pattern should be monitored and that prudence should be used in planning increases to the number of staff, since such resources are unpredictable.** Furthermore, the Committee is of the view that the high level of other resources projected for the biennium 2010-2011 underscores the importance of continuing to pursue cost recovery in support cost arrangements, to ensure that the biennial support budget is based on a balanced approach that is properly financed.

48. According to UNIFEM, it has made efficiency gains over the last three biennial support budgets through decreases in percentage terms between the support budget and total resources used for programmes, from 21 per cent in 2004-2005 to 15.4 per cent in 2010-2011, through the following initiatives: (a) delegation of authority and related decentralization of functions from headquarters; (b) larger investments of UNDP in systems and operational capacity; and (c) the use of Atlas to make real-time information available to headquarters and subregional programmes.

49. Upon request, the Advisory Committee was provided with an explanation of the term "efficiency gains" as used in the UNIFEM budget document, which refers to enhancements in the efficiency of UNIFEM operations that have allowed it to allocate a greater share of its total resources to programmes and a smaller share to the support budget, as reflected in figure 3 of the document. **The Committee commends the efforts to increase the level of resources used for programmes rather than support. However, the Advisory Committee's comments on efficiency gains set out in paragraph 16 above also apply to UNIFEM.**

50. The proposed biennial support budget for UNIFEM for 2010-2011 is estimated at $39.8 million and includes funding for 83 posts. The regular resources portion of the biennial support budget amounts to $32.7 million, or 25 per cent of its income projection for regular resources for 2010-2011 of $130 million. Funding is proposed for 63 posts. The budget reflects an increase of 40.2 per cent compared to the 2008-2009 support budget, which amounted to $23 million, or 25 per cent, of the $93 million income projected for regular resources, covering 46 posts. The proposed biennial support budget supports UNIFEM work, highlighted in its strategic plan, on the following thematic areas:

(a) enhancement of women's economic security and rights

(b) ending violence against women;

(c) halting the spread of HIV/AIDS among women and girls; and

(d) advancement of gender justice in democratic governance.

51. The regular and other resources support budget reflects a $12.6 million increase in cost and volume over the 2008-2009 budget. Cost increases of $1.8 million are related to the impact of inflation and currency adjustments, cost adjustments related to posts, including salary scale revisions, within-grade salary increments, post adjustment and other entitlements determined by the International Civil Service Commission. A small provision for costs related to after-service health insurance is also included. The volume increase of $10.8 million is to ensure capacity for programme delivery and oversight functions in proportion to the rapid growth in resources. The main areas of volume increase include:

(a) Additional posts to strengthen support to the United Nations development system, programme management, technical advisory services, evaluation capacity, operations coordination and oversight, and learning and human resources management (see paragraph 56, below); and

(b) Reclassification of existing posts (see paragraph 57, below).

52. Table 3 further provides a comparison of the budget proposal across the 17 results-based functions, aligning the increases with the commitments in

the strategic plan relating to external relations, internal/external communications, financial management, audit and investigation, corporate evaluation and support to the United Nations system.

53. The Committee was informed that, with respect to the implementation of IPSAS, UNIFEM follows the implementation plan of the Atlas partner agencies, led by UNDP, which is planning to implement IPSAS by 2012; the first IPSAS-compliant UNIFEM financial statements for 2012 will be produced in 2013.

54. The Committee was further informed that UNIFEM has special security requirements owing to the presence of female staff members and programme participants in crisis and post-crisis situations, where they are subject to security threats. UNIFEM has been coordinating with the Department of Safety and Security to ensure that its security needs are met. **The Committee supports such efforts.**

55. **The Advisory Committee notes that IPSAS implementation and safety and security are United Nations-mandated activities that form part of the administrative framework of UNIFEM and therefore recommends that, in future, those items should be integrated into its biennial support budget.**

56. The Committee notes that regular resources are proposed to cover 63 posts, compared to 46 posts approved for 2008-2009. The 17 new posts include:

(a) Three P-5 level posts in three subregional programme offices to build on the institutionalization of regional programme director positions (DP/2010/7, paragraph 37).

(b) Fourteen new posts at the headquarters level: two at the P-5 level (a thematic adviser to meet the increasing demand for strategic policy advisory and technical assistance services; and a gender and HIV and AIDS adviser) (ibid., paragraphs 41-42), one at the P-4 level (to implement the information and communications technology strategy) (ibid., paragraph 46), three at the P-3 level (a finance specialist to strengthen corporate financial planning and monitoring; a learning and performance management professional to provide systematic capacity and career development to staff; and a specialist to strengthen information and communications technology capacity) (ibid., paragraphs 44, 45 and 46), and eight at the General Service level, to provide programme support services and evaluation, and procurement and financial support (ibid., paragraphs 38, 41, 43 and 44).

57. In addition, UNIFEM proposes six reclassifications at an additional cost of approximately $307,000. These are:

(a) Two P-4 to P-5, one to align the post budget of the evaluation adviser to the post classification and the other for a communication post to lead a reorganized outreach and communication effort, spearhead the advocacy and awareness-raising campaign, and build partnerships (DP/2010/7, paragraphs 43 and 47);

(b) Two P-3 to P-4, one to align the post budget to the job classification of a programme specialist post and the other to upgrade a human resources specialist post to respond to the growing

organizational demands for policy advice, change management and counselling (ibid., paragraphs 38 and 45); and

(c) One G-4 to G-5 and one G-5 to G-6, to provide support in strengthening corporate financial planning and monitoring (ibid., paragraph 44).

58. The Advisory Committee notes that the General Assembly, in its resolution 63/311, strongly supported the consolidation of the Office of the Special Adviser on Gender Issues, the Division for the Advancement of Women, UNIFEM and the International Research and Training Institute for the Advancement of Women into a composite entity to be led by an Under-Secretary-General. The Committee also notes that UNIFEM has been actively engaged in the process of preparing for that consolidation. According to UNIFEM, the present budget does not make provision for such consolidation, but ensuring that the management capacity of UNIFEM is strong would contribute a solid building-block in the new entity and ease any transition that might transpire.

59. **The Advisory Committee recommends approval of the regular resources proposed for the UNIFEM biennial support budget, 2010-2011.**